

CITY OF WINTERSET  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-6
Management's Discussion and Analysis	8-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A      15-16
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B      17-18
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C      19
Notes to Financial Statements	21-30
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	32
Notes to Required Supplementary Information – Budgetary Reporting	33
Other Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1      35-36
Schedule of Indebtedness	2      37-38
Bond and Note Maturities	3      39-42
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4      43
Information Required by the 2003 Sewer Revenue Refunding Notes Resolution	5      44
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	46-47
Schedule of Findings	48-51

City of Winterset

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Schwertfeger	Mayor	Jan 2006
Jim Olson	Council Member/Mayor Pro tem	Jan 2008
Steve Montross	Council Member	Jan 2006
Edmund Seaward	Council Member	Jan 2006
Anthony Golightly *	Council Member	Jan 2008
Mary Ann Orr	Council Member	Jan 2008
Mark Nitchals	City Administrator	Indefinite
John Casper	Attorney	Indefinite

\* Resigned in May 2005 and was replaced by Howard Harrell

City of Winterset

# CLINE, DeVRIES & ALLEN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

---

316 S. Duff Suite B – PO Box 187  
Ames, Iowa 50010  
Phone: 515-233-4060 FAX: 515-233-3703

13375 University Ave, Suite 203  
Clive, Iowa 50325  
Phone: 515-252-7141 FAX: 515-252-7073

### Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Winterset, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These primary government financial statements are the responsibility of the City of Winterset's management. Our responsibility is to express opinions on these primary government financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the primary government financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these primary government financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Winterset as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2005 on our consideration of the City of Winterset's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 13 and 32 through 33 are not required parts of the primary government financial

statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Winterset's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those primary government financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information, except for that portion marked "unaudited" (Schedule 5) on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

September 14, 2005  
Ames, Iowa

City of Winterset

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The City of Winterset provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- Revenues of the City increased by 9.1% compared to the previous year. Total revenues of the City nearly doubled, but this included the issuance of municipal bonds to finance various capital improvement projects.
- Disbursements of the City increased by 73.5% compared to the previous year. Much of this increase is attributed to one-time expenditures and refunding of existing bond issues that makes year to year comparisons difficult.
- The City's total cash fund balance during FY 2005 increased by about \$1.1 million. This increase is attributed to the receipt of bond proceeds to be spent on capital improvement projects.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

### Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the



financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and user fees finance most of these activities, with bond issue proceeds and state and federal grants financing capital improvement projects.
- Business Type Activities include the sanitary sewer system. This activity is financed primarily by user charges.

### Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Funds, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Fund. The Enterprise Fund is used to report business type activities. The City Enterprise Fund provides separate information for the Sanitary Sewer Utility Fund, considered to be a major fund of the City. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities as of June 30, 2005 is \$4,595,000. However, \$3,165,000 of this fund balance was bond proceeds reserved for on-going construction projects and for the advance refunding of an outstanding bond issue, leaving a net cash balance of \$1,430,000. This

represents an increase of about \$396,000 in year-end fund balances compared to the previous year.

The proprietary fund ending balance decreased from \$2,991,000 down to \$540,000, a decrease of about \$2,451,000. This decrease is attributed to bond proceeds on hand at the end of 2004 that were held in escrow for refunding of an outstanding sewer revenue bond. During this fiscal year, on May 1, 2005, these bond proceeds were used to call in the outstanding 1996 sewer revenue bonds. The 1996 bonds were, in effect, replaced with a new bond issue with lower interest rates, resulting in a decrease in annual debt service payments of about \$15,500.

The City decreased property tax rates for 2005 by 0.8 percent. However, due to an increase in taxable valuations, property tax receipts increased by 6.7%, even with lower tax rates. Taxable valuation for 2005 was about 9.5% higher than 2004. Some of this valuation increase came about when some of the taxable valuations in the TIF districts were converted to regular valuations.

The analysis that follows focuses on the cash basis net assets for FY 2005 as compared to the previous year for the governmental funds.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service	\$ 302	1,184
Operating grants, contributions and restricted interest	746	537
Capital grants, contributions and restricted interest	164	26
General receipts:		
Property tax	2,528	2,513
Payment in lieu of taxes	197	190
Local option sales tax	190	-
Unrestricted investment earnings	24	14
Bond/note proceeds, net	4,624	-
Anticipatory warrants, net	(9)	-
Other general receipts	56	69
Total Receipts	8,822	4,533
Disbursements:		
Public safety	759	697
Public works	508	491
Health and social services	3	3
Culture and recreation	697	675
Community and economic development	384	177
General government	339	318
Debt service	1,079	1,051
Capital projects	1,492	264
Business type activities	-	844
Total Disbursements	5,261	4,520
Increase in cash basis net assets	3,561	13
Cash basis net assets beginning of year	1,034	1,021
Cash basis net assets end of year	\$ 4,595	1,034
Less: Cash in escrow for bond refunding	791	-
Less: Cash for capital projects	2,374	-
Cash basis net assets excluding cash for escrow and capital projects	\$ 1,430	1,034

The analysis that follows focuses on the cash basis net assets for FY 2005 as compared to the previous year for the proprietary enterprise funds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service	\$ 739	767
Operating grants, contributions and restricted interest	53	47
Capital grants, contributions and restricted interest	-	18
General receipts	855	3
Total Receipts	1,647	835
Disbursements:		
Sewer operations	1,198	421
Capital projects	51	-
Debt service	455	452
Debt refunding	2,394	-
Total Disbursements	4,098	873
Increase in cash basis net assets	(2,451)	(38)
Cash basis net assets beginning of year	2,991	3,029
Cash basis net assets end of year	\$ 540	2,991
Less: Cash in escrow for bond refunding	-	2,361
Cash basis net assets excluding cash in escrow	\$ 540	630

## MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Winterset completed the year, its governmental funds reported a combined fund balance of about \$4,595,000, of which \$3,165,000 was held for bond refunding and for capital improvement projects. On Dec. 1, 2004, the City issued a \$2,700,000 bond for construction of a new aquatic center, of which \$2,374,000 of bond proceeds remained unexpended as of the end of the fiscal year. Also on June 1, 2005, the City issued a \$1,585,000 bond, of which about \$790,000 was put into escrow for the eventual refunding of the 1999 general obligation bond issue. These bond proceeds will be held in escrow until June 1, 2008 when the 1999 bonds will be called in for early redemption.

Within the governmental funds, the various funds of the City were affected differently.

- The General Fund cash balance saw an increase of \$44,175 from the prior year to \$256,755. This is the largest ending fund balance in the General Fund in years, and reflects the efforts of the City to improve the General Fund balance.
- The various funds that make up the special revenue funds realized an increase in cash balance of \$172,898 during the fiscal year. Special revenue funds include the Road Use Tax Fund, the Trust & Agency Fund, the Local Option Sales Tax Fund, and the various TIF funds. Most of the increase in cash balances in this fund was because of the first year collection of the local option sales tax.

- The various Debt Service funds cash balance increased by \$793,890 to \$1,244,335 during the fiscal year. This increase is attributed to \$790,000 of the 2005 G.O. bond proceeds that are held in escrow by a trustee for the advance refunding of the 1999 G.O. bond issue. The cash balance of the debt service funds will be used for future debt service payments.
- The various Capital Project funds cash balance increased by \$2,550,399. Most of this increase is attributed to the Aquatic Center bond proceeds which were on hand at the end of the fiscal year and will be expended during the next fiscal year.
- The Sewer Utility Fund cash balance decreased dramatically because of refunding an outstanding bond issue. During the fiscal year, the 1996 bond issue was called in for early redemption, reducing the cash balance by \$2,451,000. The cash balance for this advance refunding was held in escrow by a trustee and was not available for normal operating expenses.

## BUDGETARY HIGHLIGHTS

The disbursements of the City of Winterset are controlled by the annual budget adopted by the City Council. The original budget for FY 2005 was approved by the City Council on March 1, 2004, and later amended on May 2, 2005. The budget amendment was necessary primarily because of increased debt service payments, expenditure of grant funds, and a one-time disbursement of an economic development grant that was repaid back to the State of Iowa.

## DEBT ADMINISTRATION

The City's total debt increased by \$1,443,000 from June 30, 2004 to June 30, 2005, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
General obligation bonds and notes	\$ 7,495	3,655
Special assessment bonds and notes	926	585
Urban renewal tax increment financing revenue bonds	3,105	3,260
Revenue notes	3,354	5,937
Total	<u>\$ 14,880</u>	<u>13,437</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. General obligation debt and tax increment financing debt is subjected to the debt limit. The City's combined general obligation and tax increment financing debt of \$9,810,000 was below the constitutional debt limit of \$10,221,566. However, the City's is within \$412,000 of the debt limit, and care will need to be exercised in financing future capital improvement projects with such a small remaining debt capacity. During future years, the bond payment schedules provide for \$600,000 to \$700,000 in bonds to be retired, which will help restore debt capacity.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Winterset's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City

activities. Economic factors in the area remain steady, keeping our unemployment rate at one of the lowest in the state. With the close proximity of Winterset to Des Moines metro area, the local economy is tied very closely to the Des Moines area economy. The housing market is strong in Winterset. During calendar year 2004, 31 building permits were issued for new houses. In addition, several new subdivisions were approved in the City of Winterset, making a number of new residential and commercial building lots available.

These indicators were taken into account when adopting the budget for fiscal year 2006. For the operating budget, not including capital improvement projects, appropriations are increased by about 3.1% compared to the 2005 budget. Capital improvement projects included in the 2006 budget include construction of the new aquatic center, downtown streetscape improvements, and sewer line extensions which will increase capital project expenditures by about \$2.35 million.

Revenues associated with the operating funds of the City are projected to increase by about 4.3%. Property tax revenues are projected to increase by only \$15,450 (0.8% increase), and the tax rate for FY 2006 will decrease by 1.2%. Taxable valuation increased by 2.1% for FY 2006.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$2,170,000 by the close of FY 2006. Nearly all of this decrease is attributed to expenditures budgeted for capital improvement projects.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Nitchals, City Administrator, 124 West Court Avenue, Winterset, Iowa, 50273.

## Basic Financial Statements

City of Winterset

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmen tal activities:				
Public safety	\$ 758,943	27,395	147,031	1,325
Public works	507,548	113,121	413,057	103,372
Health and social services	3,000	-	-	-
Culture and recrea tion	697,301	143,975	48,794	47,200
Comm unity and economic devel opment	384,100	17,885	100,356	12,205
General government	338,534	-	-	-
Debt service	1,079,456	-	11,777	-
Capital projects	1,491,659	-	-	-
Business type activities	372	-	24,896	-
Total governmen tal activities	5,260,913	302,376	745,911	164,102
Business type activities:				
Sewer	3,243,225	738,952	52,785	-
Utility reimburse ment	855,165	-	-	-
Total business type activities	4,098,390	738,952	52,785	-
Total	\$ 9,359,303	1,041,328	798,696	164,102
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Employee benefits				
Debt service				
Emergency				
Hotel/motel tax				
Payment in lieu of taxes				
Bank franchise tax				
Local option sales tax				
Unrestricted interest on investmen ts				
Bond/note proceeds, net				
Anticipatory warrants issued, net				
Anticipatory warrants redeemed				
Miscellaneous				
Sale of assets				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service/maintenace				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(583,192)	-	(583,192)
122,002	-	122,002
(3,000)	-	(3,000)
(457,332)	-	(457,332)
(253,654)	-	(253,654)
(338,534)	-	(338,534)
(1,067,679)	-	(1,067,679)
(1,491,659)	-	(1,491,659)
24,524	-	-
(4,048,524)	-	(4,048,524)
-	(2,451,488)	(2,451,488)
-	(855,165)	(855,165)
-	(3,306,653)	(3,306,653)
(4,048,524)	(3,306,653)	(7,355,177)
992,647	-	992,647
713,047	-	713,047
381,772	-	381,772
412,693	-	412,693
27,914	-	27,914
20,665	-	20,665
197,000	-	197,000
17,446	-	17,446
189,942	-	189,942
23,816	-	23,816
4,624,098	-	4,624,098
1,141,375	-	1,141,375
(1,150,000)	-	(1,150,000)
9,734	855,291	865,025
7,737	-	7,737
7,609,886	855,291	8,465,177
3,561,362	(2,451,362)	1,110,000
1,033,935	2,991,107	4,025,042
\$ 4,595,297	539,745	5,135,042
\$ 114,526	-	114,526
531,031	-	531,031
979,800	545,013	1,524,813
372,509	-	372,509
2,597,431	(5,268)	2,592,163
\$ 4,595,297	539,745	5,135,042



City of Winterset

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2005

		Special Revenue	Debt Service
		Tax	General
		Increment	Obligation
	General	Financing	Bonds/Notes
Receipts:			
Property tax	\$ 992,647	-	412,693
Tax increment financing collections	-	713,047	-
Other city tax	20,665	-	-
Licenses and permits	29,831	-	-
Use of money and property	23,816	-	-
Intergovernmental	392,646	-	-
Charges for service	112,847	-	-
Special assessments	-	-	-
Miscellaneous	111,626	-	11,777
Total receipts	1,684,078	713,047	424,470
Disbursements:			
Operating:			
Public safety	611,206	-	-
Public works	35,361	-	-
Health and social services	3,000	-	-
Culture and recreation	572,301	-	-
Community and economic development	42,421	213,460	-
General government	302,850	-	-
Debt service	-	-	625,673
Capital projects	-	-	-
Business type activities	372	-	-
Total disbursements	1,567,511	213,460	625,673
Excess (deficiency) of receipts over (under) disbursements	116,567	499,587	(201,203)
Other financing sources (uses):			
Sale of capital assets	5,397	-	-
Bond proceeds, net	-	-	814,857
Anticipatory warrants issued, net	-	-	-
Anticipatory warrants redeemed	-	-	-
Operating transfers in	27,914	-	178,075
Operating transfers out	(105,703)	(611,097)	-
Total other financing sources (uses)	(72,392)	(611,097)	992,932
Net change in cash balances	44,175	(111,510)	791,729
Cash balances beginning of year	212,580	378,006	5,104
Cash balances end of year	\$ 256,755	266,496	796,833
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	796,833
Unreserved:			
General fund	256,755	-	-
Special revenue funds	-	266,496	-
Capital projects funds	-	-	-
Total cash basis fund balances	\$ 256,755	266,496	796,833

See notes to financial statements.

Capital Projects		Other	
Aquatic Center Project	Paving Project	Nonmajor Governmental Funds	Total
-	-	409,686	1,815,026
-	-	-	713,047
-	-	189,942	210,607
-	-	-	29,831
27,809	2,087	1,781	55,493
-	-	399,069	791,715
-	-	-	112,847
-	90,396	118,326	208,722
18,384	-	119,990	261,777
46,193	92,483	1,238,794	4,199,065
-	-	147,737	758,943
-	-	472,187	507,548
-	-	-	3,000
-	-	125,000	697,301
-	-	128,219	384,100
-	-	35,684	338,534
-	-	453,783	1,079,456
328,241	1,049,130	114,288	1,491,659
-	-	-	372
328,241	1,049,130	1,476,898	5,260,913
(282,048)	(956,647)	(238,104)	(1,061,848)
-	-	2,340	7,737
2,656,873	1,132,368	20,000	4,624,098
-	1,141,375	-	1,141,375
-	(1,150,000)	-	(1,150,000)
-	-	552,171	758,160
-	-	(41,360)	(758,160)
2,656,873	1,123,743	533,151	4,623,210
2,374,825	167,096	295,047	3,561,362
(1,000)	(103,149)	542,394	1,033,935
2,373,825	63,947	837,441	4,595,297
-	-	447,502	1,244,335
-	-	-	256,755
-	-	487,035	753,531
2,373,825	63,947	(97,096)	2,340,676
2,373,825	63,947	837,441	4,595,297

## City of Winterset

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise		
	Utility		
	Sewer	Reimbursement	Total
Operating receipts:			
Use of money and property	\$ 52,785	-	52,785
Charges for service	738,952	-	738,952
Miscellaneous	126	855,165	855,291
Total operating receipts	791,863	855,165	1,647,028
Operating disbursements:			
Business type activities	848,927	855,165	1,704,092
Excess (deficiency) of operating receipts (over) under operating disbursements	(57,064)	-	(57,064)
Non-operating receipts (disbursements):			
Debt service	(2,394,298)	-	(2,394,298)
Excess (deficiency) of receipts over (under) disbursements	(2,451,362)	-	(2,451,362)
Cash balances beginning of year	2,991,107	-	2,991,107
Cash balances end of year	\$ 539,745	-	539,745
Cash Basis Fund Balances			
Reserved for debt service /maintenance	\$ 545,013	-	545,013
Unreserved	(5,268)	-	(5,268)
Total cash basis fund balances	\$ 539,745	-	539,745

See notes to financial statements.

---

City of Winterset

## City of Winterset

### Notes to Financial Statements

June 30, 2005

#### (1) Summary of Significant Accounting Policies

The City of Winterset is a political subdivision of the State of Iowa located in Madison County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer service for its citizens.

##### A. Reporting Entity

For financial reporting purposes, the City of Winterset has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Winterset Municipal Utilities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Winterset (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements, which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

##### Component Unit

The Winterset Municipal Utilities is a component unit of the City of Winterset and is not presented in these primary government financial statements. It is legally separate from the City, but is financially accountable to the City. The Utilities is governed by a three member Board appointed by the City Council and the Utilities' operating budget is subject to the approval of the City Council.

### Jointly Governed Organizations

The City participates in a few jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commission: County Emergency Management Commission, Central Iowa Regional Transportation Planning Alliance Board, and the Fire Mutual Aid Executive Board.

The City also participates in a joint venture. The City has an official that is a member of the South Central Iowa Landfill Agency Board. The City has an ongoing financial responsibility. (See Note 10)

### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate primary government financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the primary government fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement

to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

Debt Service:

The General Obligation Bonds/Notes Fund is used to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

The Aquatic Center Project Fund is used to account for the construction of the new aquatic center.

The Paving Project Fund is used to account for the City's street paving project.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Utility Reimbursement Fund accounts for reimbursements from the City's component unit Winterset Municipal Utilities for payroll disbursements.

C. Measurement Focus and Basis of Accounting

The City of Winterset maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2005 are as follows:

Type	Carrying Amount	Fair Value
U.S. government securities	\$ 797,592	797,592

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, sewer refunding notes, special assessment bonds and notes, urban renewal tax increment financing bonds, and state revolving loans are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Sewer Refunding Notes		Special Assessment Capital Loan Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 80,000	206,221	370,000	117,508	275,000	79,298	70,000	24,822	36,000	7,655
2007	250,000	186,963	280,000	104,793	285,000	73,110	70,000	21,806	40,000	14,265
2008	255,000	178,286	290,000	93,431	295,000	65,700	70,000	18,672	40,000	12,945
2009	350,000	168,955	300,000	81,281	300,000	57,145	55,000	15,433	40,000	11,565
2010-2014	1,730,000	657,740	1,370,000	205,680	1,300,000	123,745	205,000	44,275	205,000	35,105
2015-2019	1,015,000	346,838	130,000	6,760	-	-	50,000	4,180	45,000	1,935
2020-2024	875,000	156,889	-	-	-	-	-	-	-	-
2025	200,000	4,950	-	-	-	-	-	-	-	-
Total	\$ 4,755,000	1,906,842	2,740,000	609,453	2,455,000	398,998	520,000	129,188	406,000	83,470



Year Ending June 30,	Urban Renewal Tax Increment Financing Revenue Bonds		State Revolving Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 150,000	257,050	45,000	35,241	1,026,000	727,795
2007	180,000	267,050	47,000	33,477	1,152,000	701,464
2008	195,000	260,197	49,000	31,634	1,194,000	660,865
2009	200,000	252,635	50,000	29,714	1,295,000	616,728
2010-2014	1,970,000	2,257,103	285,000	117,326	7,065,000	3,440,974
2015-2019	410,000	434,190	346,000	56,762	1,996,000	850,665
2020-2024	-	-	77,000	3,018	952,000	159,907
2025	-	-	-	-	200,000	4,950
Total	\$ 3,105,000	3,728,225	899,000	307,172	14,880,000	7,163,348

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- Sufficient monthly transfers shall be made to the sewer revenue bond sinking account for the purpose of making the note principal and interest payments when due.
- Additional monthly reserve transfers of \$10,000 shall be made to a sewer system improvement account until a minimum of \$240,000 is accumulated. This account is restricted for the purpose of paying for deficiencies to the sinking accounts, payments of the note principal and interest and for any additional improvements or extensions.
- A sum of \$245,500 shall be set apart and put into a reserve account. Any deficiencies in the reserve account shall be reimbursed from the net operating revenues of the sewer fund after its required contributions to the sinking and improvement reserve accounts.

The resolutions providing for the issuance of the urban renewal tax increment financing bonds include the following provisions:

A sum of \$262,000 shall be set apart and put into a reserve account for the purpose of making the bond principal and interest payments when due.

#### General Obligation Refunding Bonds

On June 1, 2005, the City issued \$790,000 of general obligation refunding bonds, with interest rates ranging from 2.95% to 4.00%, for a crossover refunding of a portion of the general obligation sewer improvement notes issued August 1, 1999. The City

entered in to an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$790,000 principal on the refunded general obligation sewer improvement notes when they become callable on June 1, 2008 and the interest from June 1, 2005 to and including June 1, 2008 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

Annual debt service requirements to maturity of the general obligation refunding bonds are as follows:

Year Ending June 30,	General Obligation Corporate Purpose and Refunding Bonds	
	Issued June 1, 2005	
	Principal	Interest
2006	\$ -	56,375
2007	65,000	56,375
2008	70,000	54,457
2009	175,000	52,288
2010-2014	970,000	168,588
2015-2019	305,000	15,585
Total	\$ 1,585,000	403,668

During the year ended June 30, 2005, none of the general obligation refunding bonds were retired.

#### Sewer Revenue Refunding Notes

On May 1, 2003, the City issued \$2,455,000 of sewer revenue refunding notes, with interest rates ranging from 2.25% to 3.90%, for a crossover refunding of a portion of the sewer revenue notes issued May 1, 1996. The City entered in to an escrow agreement whereby the proceeds from sewer revenue refunding notes were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$2,315,000 principal on the refunded sewer revenue notes when they become callable on May 1, 2005 and the interest from May 1, 2003 to and including May 1, 2005 on the refunding notes. After the principal and interest on all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

Annual debt service requirements to maturity of the sewer revenue refunding notes are as follows:

Year Ending June 30,	Sewer Revenue Refunding Notes	
	Issued May 1, 2003	
	Principal	Interest
2006	\$ 275,000	79,298
2007	285,000	73,110
2008	295,000	65,700
2009	300,000	57,145
2010-2014	1,300,000	123,745
Total	\$ 2,455,000	398,998

During the year ended June 30, 2005, \$2,315,000 of the sewer revenue refunding notes were retired.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$70,172, \$62,189 and \$58,483, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave, compensatory and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave is only paid out at retirement and is limited to twenty-five percent of the employees accrual. The City's approximate liability for earned compensated absences payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 60,856
Sick leave	2,844
Compensatory and personal time	10,231
Total	<u>\$ 73,931</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

(6) Anticipatory Warrants

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

The City has issued \$1,150,000 in anticipatory warrants, at 2.20% interest per annum, for street improvements. As of June 30, 2005, \$1,150,000 of those anticipatory warrants had been redeemed.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Emergency Fund	\$ 27,914
Special Revenue: CEBA/TIF Revenue LMI Grant Fund	Special Revenue: Tax Increment Financing	5,891
		<u>111,827</u>
		<u>117,718</u>
Debt Service:		
General Obligation Bonds/Notes	General	30,703
	Special Revenue: Tax Increment Financing	133,926
Tax Increment Financing Bonds	Debt Service: Special Assessment Bonds/Notes	13,446
	Special Revenue: Tax Increment Financing	<u>359,453</u>
		<u>537,528</u>
Capital Projects:	General	<u>75,000</u>
Parks and Recreation Improvement Project		
Total		<u>\$ 758,160</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$556 during the year ended June 30, 2005.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) South Central Iowa Landfill Agency

The City, in conjunction with the City of Indianola and Madison County, has created the South Central Iowa Landfill Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Agency will be prorated among the municipalities. The Agency is governed by a board composed of elected representatives of the governing body of each participating governmental jurisdiction.

The Agency may not be accumulating sufficient financial resources and the municipalities may be obligated for a proportionate share of the debt, therefore, the City has an ongoing financial obligation.

Completed financial statements for the Agency can be obtained from the Agency.

(11) Community Development Block Grant (CDBG)

On November 15, 2001, the City entered into a CDBG Program Economic Development Set-Aside Contract with the Iowa Department of Economic Development (IDED). The Program consists of two loans that were passed thru to Three D Industries, L.L.C. The first loan is a \$50,000 loan with an interest rate of 2%. The loan is to be repaid over a five year term. The second loan is a forgivable loan with 0% interest and a two year term. The second loan shall be forgiven upon satisfactory completion of the performance targets specified in the agreement.

(12) Capital Lease

On June 21, 2005, the City entered into a lease purchase agreement for a sewer vacuum truck with F&M Bank. The City is to make annual payments of \$31,177 through July 10, 2013. The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments are as follows:

	Year Ended June 30,	
Total future minimum lease payments	2006	\$ 31,177
	2007	31,177
	2008	31,177
	2009	31,177
	2010	31,177
	2011	31,177
	2012	31,176
	2013	31,176
		<u>\$ 249,414</u>
Less amount representing interest		(42,121)
Present value of future minimum lease payments		<u>\$ 207,293</u>

(13) Deficit Fund Balances

The Capital Projects, Downtown Improvement Project Fund had a deficit balance of \$201,075 at June 30, 2005. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon a transfer of funds.

(14) Construction Commitment

The City had the following commitments with respect to unfinished capital projects at June 30, 2005:

<u>Project</u>	<u>Remaining Commitment</u>
Street Improvements	47,998
Downtown Streetscape Improvements	544,546
Park Maintenance Building	57,426
Aquatic Center	2,486,975

(15) Subsequent Events

Subsequent to June 30, 2005, the City entered into a construction contract for \$122,222 for a storm sewer project. The City also entered into a construction contract for \$96,965 for a street maintenance project after year end.

## Required Supplementary Information

City of Winterset  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,815,026	-	1,815,026	1,807,563	1,807,563	7,463
Tax increment financing collections	713,047	-	713,047	734,000	734,000	(20,953)
Other city tax	210,607	-	210,607	236,733	236,733	(26,126)
Licenses and permits	29,831	-	29,831	23,350	23,350	6,481
Use of money and property	55,493	52,785	108,278	22,000	47,000	61,278
Intergovernmental	791,715	-	791,715	671,920	780,270	11,445
Charges for service	112,847	738,952	851,799	933,550	933,550	(81,751)
Special assessments	208,722	-	208,722	335,000	335,000	(126,278)
Miscellaneous	261,777	855,291	1,117,068	269,242	1,108,433	8,635
Total receipts	4,199,065	1,647,028	5,846,093	5,033,358	6,005,899	(159,806)
Disbursements:						
Public safety	758,943	-	758,943	686,537	765,787	6,844
Public works	507,548	-	507,548	501,836	501,836	(5,712)
Health and social services	3,000	-	3,000	3,000	3,000	-
Culture and recreation	697,301	-	697,301	720,204	724,701	27,400
Community and economic development	384,100	-	384,100	277,900	392,150	8,050
General government	338,534	-	338,534	291,750	342,750	4,216
Debt service	1,079,456	-	1,079,456	1,060,600	1,061,700	(17,756)
Capital projects	1,491,659	-	1,491,659	1,783,000	1,783,000	291,341
Business type activities	372	4,098,390	4,098,762	826,038	4,114,838	16,076
Total disbursements	5,260,913	4,098,390	9,359,303	6,150,865	9,689,762	330,459
Excess (deficiency) of receipts over (under) disbursements	(1,061,848)	(2,451,362)	(3,513,210)	(1,117,507)	(3,683,863)	170,653
Other financing sources, net	4,623,210	-	4,623,210	1,352,000	4,592,000	31,210
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,561,362	(2,451,362)	1,110,000	234,493	908,137	201,863
Balances beginning of year	1,033,935	2,991,107	4,025,042	1,735,617	4,025,042	-
Balances end of year	\$ 4,595,297	539,745	5,135,042	1,970,110	4,933,179	201,863

See accompanying independent auditors' report.



City of Winterset

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts and disbursements by \$972,541 and \$3,538,897, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works and debt service functions.

## Other Supplementary Information

## City of Winterset

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue					
	Road Use Tax	Local Option Tax	Employee Benefits	CEBA/TIF Revenue	Emergency Fund	LMI Grant Fund
Receipts:						
Property tax	\$ -	-	381,772	-	27,914	-
Other city tax	-	189,942	-	-	-	-
Use of money and property	-	1,434	-	-	-	-
Intergovernmental	396,440	-	-	2,629	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous	-	-	5,573	97,727	-	-
Total receipts	396,440	191,376	387,345	100,356	27,914	-
Disbursements:						
Operating:						
Public safety	-	-	147,737	-	-	-
Public works	405,147	-	67,040	-	-	-
Culture and recreation	-	-	125,000	-	-	-
Community and economic development	-	-	-	114,111	-	14,108
General government	-	-	35,684	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	405,147	-	375,461	114,111	-	14,108
Excess (deficiency) of receipts over (under) disbursements	(8,707)	191,376	11,884	(13,755)	27,914	(14,108)
Other financing sources (uses):						
Sale of fixed assets	-	-	-	-	-	-
Bond proceeds, net	-	-	-	-	-	-
Operating transfers in	-	-	-	5,891	-	111,827
Operating transfers out	-	-	-	-	(27,914)	-
Total other financing sources (uses):	-	-	-	5,891	(27,914)	111,827
Net change in cash balances	(8,707)	191,376	11,884	(7,864)	-	97,719
Cash balances beginning of year	123,233	-	71,530	7,864	-	-
Cash balances end of year	\$ 114,526	191,376	83,414	-	-	97,719
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ 114,526	191,376	83,414	-	-	97,719
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Total cash basis fund balances	\$ 114,526	191,376	83,414	-	-	97,719

See accompanying independent auditors' report.

Debt Service			Capital Projects					Total
Special Assessment Bonds/Notes	TIF Reserve	Tax Increment Financing Bonds	Police Special Project	Parks and Recreation Improvement Project	Housing Project	Sidewalk Project	Downtown Improvement Project	
-	-	-	-	-	-	-	-	409,686
-	-	-	-	-	-	-	-	189,942
-	-	-	-	347	-	-	-	1,781
-	-	-	-	-	-	-	-	399,069
109,937	-	-	-	-	-	8,389	-	118,326
-	-	-	1,325	660	12,205	2,500	-	119,990
109,937	-	-	1,325	1,007	12,205	10,889	-	1,238,794
-	-	-	-	-	-	-	-	147,737
-	-	-	-	-	-	-	-	472,187
-	-	-	-	-	-	-	-	125,000
-	-	-	-	-	-	-	-	128,219
-	-	-	-	-	-	-	-	35,684
94,330	-	359,453	-	-	-	-	-	453,783
-	-	-	-	20,220	7,565	28,560	57,943	114,288
94,330	-	359,453	-	20,220	7,565	28,560	57,943	1,476,898
15,607	-	(359,453)	1,325	(19,213)	4,640	(17,671)	(57,943)	(238,104)
-	-	-	2,340	-	-	-	-	2,340
-	-	-	-	-	-	20,000	-	20,000
-	-	359,453	-	75,000	-	-	-	552,171
(13,446)	-	-	-	-	-	-	-	(41,360)
(13,446)	-	359,453	2,340	75,000	-	20,000	-	533,151
2,161	-	-	3,665	55,787	4,640	2,329	(57,943)	295,047
180,806	262,000	2,535	2,556	13,823	23,375	(2,196)	(143,132)	542,394
182,967	262,000	2,535	6,221	69,610	28,015	133	(201,075)	837,441
-	-	-	-	-	-	-	-	487,035
182,967	262,000	2,535	-	-	-	-	-	447,502
-	-	-	6,221	69,610	28,015	133	(201,075)	(97,096)
182,967	262,000	2,535	6,221	69,610	28,015	133	(201,075)	837,441

City of Winterset  
Schedule of Indebtedness  
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Economic development	Feb 1, 1995	5.75-6.80%	\$ 130,000
General corporate purpose	Mar 1, 1998	4.10-4.80%	180,000
Airport improvement	Dec 1, 1998	5.50-6.75%	375,000
General corporate purpose	Apr 1, 1999	4.10-4.70%	325,000
Local option sales tax	Dec 15, 2004	2.45-4.95%	2,700,000
Corporate purpose and refunding	Jun 1, 2005	2.95-4.00%	1,585,000
Total			
General obligation notes:			
Sewer improvements	Aug 1, 1999	4.25-5.20%	\$ 1,435,000
Street improvements	Apr 1, 2000	5.00-5.60%	290,000
General corporate purpose	Oct 1, 2001	3.75-4.70%	885,000
General corporate purpose	May 1, 2003	1.50-3.85%	1,100,000
Total			
Special assessment capital loan notes:			
Street improvements	May 1, 1998	4.50-5.20%	\$ 130,000
Street improvements	May 1, 1999	4.50-5.05%	141,000
Street improvements	Apr 1, 2000	5.20-6.60%	84,000
Paving project	May 1, 2001	4.50-5.90%	255,000
Street improvements	May 1, 2003	1.50-4.20%	188,000
Total			
Special assessment bonds:			
Street improvements	Jun 1, 2005	2.90-4.30%	\$ 406,000
Revenue bonds:			
Urban renewal tax increment	Mar 1, 1993	6.00%	\$ 200,000
Urban renewal tax increment	May 1, 1994	4.55-6.05%	225,000
Urban renewal tax increment	Oct 31, 1997	8.25%	250,000
Urban renewal tax increment	Apr 1, 1998	6.50%	145,000
Urban renewal tax increment	Dec 28, 1999	6.50%	200,000
Urban renewal tax increment	Dec 28, 1999	8.00%	170,000
Urban renewal tax increment	Oct 2, 2000	7.50%	160,000
Urban renewal tax increment	Dec 1, 2000	5.15-5.90%	2,400,000
Total			
Revenue notes:			
Sewer improvements	May 1, 1996	5.50-6.15%	\$ 3,965,000
Sewer refunding	May 1, 2003	2.25-3.90%	2,455,000
Total			
State revolving loans:			
Sewer revenue bonds, Series 2000A	Jan 17, 2000	3.92%	\$ 225,951
Sewer revenue bonds, Series 2000B	Jan 17, 2000	3.92%	874,049
Total			
Anticipatory warrants:			
Street improvements	Jul 28, 2004	2.20%	\$ 1,150,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
15,000	-	15,000	-	1,020	-
80,000	-	20,000	60,000	3,720	-
285,000	-	20,000	265,000	18,200	-
180,000	-	35,000	145,000	8,215	-
-	2,700,000	-	2,700,000	-	-
-	1,585,000	-	1,585,000	-	-
<b>\$ 560,000</b>	<b>4,285,000</b>	<b>90,000</b>	<b>4,755,000</b>	<b>31,155</b>	<b>-</b>
1,140,000	-	80,000	1,060,000	56,392	-
215,000	-	25,000	190,000	11,647	-
735,000	-	80,000	655,000	32,135	-
1,005,000	-	170,000	835,000	28,585	-
<b>\$ 3,095,000</b>	<b>-</b>	<b>355,000</b>	<b>2,740,000</b>	<b>128,759</b>	<b>-</b>
60,000	-	15,000	45,000	3,075	-
75,000	-	15,000	60,000	3,690	-
65,000	-	5,000	60,000	4,010	-
210,000	-	15,000	195,000	11,325	-
175,000	-	15,000	160,000	5,730	-
<b>\$ 585,000</b>	<b>-</b>	<b>65,000</b>	<b>520,000</b>	<b>27,830</b>	<b>-</b>
-	406,000	-	406,000	-	-
40,000	-	40,000	-	2,400	-
35,000	-	35,000	-	2,118	-
215,000	-	20,000	195,000	17,737	-
120,000	-	5,000	115,000	7,800	-
155,000	-	15,000	140,000	10,075	-
160,000	-	15,000	145,000	12,800	-
155,000	-	15,000	140,000	11,625	-
2,380,000	-	10,000	2,370,000	136,698	-
<b>\$ 3,260,000</b>	<b>-</b>	<b>155,000</b>	<b>3,105,000</b>	<b>201,253</b>	<b>-</b>
2,540,000	-	2,540,000	-	148,665	-
2,455,000	-	-	2,455,000	79,297	-
<b>\$ 4,995,000</b>	<b>-</b>	<b>2,540,000</b>	<b>2,455,000</b>	<b>227,962</b>	<b>-</b>
194,000	-	9,000	185,000	7,605	-
748,000	-	34,000	714,000	29,322	-
<b>\$ 942,000</b>	<b>-</b>	<b>43,000</b>	<b>899,000</b>	<b>36,927</b>	<b>-</b>
-	1,150,000	1,150,000	-	21,294	-

## City of Winterset

## Schedule of Indebtedness

Year ended June 30, 2005

Year Ending June 30,	General Obligation Bonds											Total
	General		Airport		General		Local Option		Corporate Purpose			
	Corporate Purpose		Improvement		Corporate Purpose		Sales Tax		and Refunding			
	Issued Mar 1, 1998		Issued Dec 1, 1998		Issued Apr 1, 1999		Issued Dec 15, 2004		Issued Jun 1, 2005			
Interest			Interest		Interest		Interest		Interest			
Rates	Amount		Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2006	4.60%	\$ 20,000	6.00%	\$ 25,000	4.50%	\$ 35,000	2.45%	\$ -	2.95%	\$ -	\$ 80,000	
2007	4.70	20,000	6.10	25,000	4.55	35,000	2.45	105,000	2.95	65,000	250,000	
2008	4.80	20,000	6.20	25,000	4.60	35,000	2.70	105,000	3.10	70,000	255,000	
2009		-	6.30	25,000	4.70	40,000	2.95	110,000	3.25	175,000	350,000	
2010		-	6.40	30,000		-	3.15	110,000	3.35	180,000	320,000	
2011		-	6.50	30,000		-	3.30	115,000	3.45	185,000	330,000	
2012		-	6.60	35,000		-	3.45	120,000	3.55	195,000	350,000	
2013		-	6.65	35,000		-	3.60	125,000	3.65	200,000	360,000	
2014		-	6.75	35,000		-	3.75	125,000	3.80	210,000	370,000	
2015		-				-	3.90	130,000	3.90	215,000	345,000	
2016		-				-	4.05	135,000	4.00	90,000	225,000	
2017		-				-	4.15	140,000		-	140,000	
2018		-				-	4.25	150,000		-	150,000	
2019		-				-	4.35	155,000		-	155,000	
2020		-				-	4.45	160,000		-	160,000	
2021		-				-	4.55	165,000		-	165,000	
2022		-				-	4.65	175,000		-	175,000	
2023		-				-	4.75	185,000		-	185,000	
2024		-				-	4.85	190,000		-	190,000	
2025		-				-	4.95	200,000		-	200,000	
Total	\$ 60,000		\$ 265,000		\$ 145,000		\$ 2,700,000		\$ 1,585,000		\$ 4,755,000	

Year Ending June 30,	General Obligation Notes								
	Sewer		Street		General		General		Total
	Improvements		Improvements		Corporate Purpose		Corporate Purpose		
	Issued Aug 1, 1999		Issued Apr 1, 2000		Issued Oct 1, 2001		Issued May 1, 2003		
	Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2006	4.70%	\$ 85,000	5.30%	\$ 30,000	4.10%	\$ 80,000	2.20%	\$ 175,000	\$ 370,000
2007	4.75	90,000	5.35	30,000	4.20	85,000	2.55	75,000	280,000
2008	4.80	95,000	5.40	30,000	4.30	90,000	2.80	75,000	290,000
2009	4.85	95,000	5.45	30,000	4.40	95,000	3.00	80,000	300,000
2010	4.90	100,000	5.50	35,000	4.50	100,000	3.20	80,000	315,000
2011	5.00	105,000	5.60	35,000	4.60	100,000	3.40	85,000	325,000
2012	5.05	115,000	-	-	4.70	105,000	3.55	85,000	305,000
2013	5.10	120,000	-	-	-	-	3.70	90,000	210,000
2014	5.15	125,000	-	-	-	-	3.85	90,000	215,000
2015	5.20	130,000	-	-	-	-	-	-	130,000
Total		\$ 1,060,000		\$ 190,000		\$ 655,000		\$ 835,000	\$ 2,740,000

See accompanying independent auditors' report.

State Revolving Loans					
Year Ending June 30,	Sewer Revenue Bonds Series 2000A		Sewer Revenue Bonds Series 2000B		Total
	Issued Jan 17, 2000		Issued Jan 17, 2000		
	Interest Rates	Amount	Interest Rates	Amount	
2006	3.92%	\$ 9,000	3.92%	\$ 36,000	\$ 45,000
2007	3.92	10,000	3.92	37,000	47,000
2008	3.92	10,000	3.92	39,000	49,000
2009	3.92	10,000	3.92	40,000	50,000
2010	3.92	11,000	3.92	42,000	53,000
2011	3.92	11,000	3.92	43,000	54,000
2012	3.92	12,000	3.92	45,000	57,000
2013	3.92	12,000	3.92	47,000	59,000
2014	3.92	13,000	3.92	49,000	62,000
2015	3.92	13,000	3.92	51,000	64,000
2016	3.92	14,000	3.92	53,000	67,000
2017	3.92	14,000	3.92	55,000	69,000
2018	3.92	15,000	3.92	57,000	72,000
2019	3.92	15,000	3.92	59,000	74,000
2020	3.92	16,000	3.92	61,000	77,000
Total		\$ 185,000		\$ 714,000	\$ 899,000

Revenue Notes		
Sewer Refunding		
Year Ending June 30,	Issued May 1, 2003	
	Interest Rates	Amount
2006	2.25%	\$ 275,000
2007	2.60	285,000
2008	2.90	295,000
2009	3.15	300,000
2010	3.40	310,000
2011	3.60	320,000
2012	3.75	330,000
2013	3.90	340,000
Total		<u>\$ 2,455,000</u>



City of Winterset  
Schedule of Indebtedness  
Year ended June 30, 2005

Year Ending June 30,	Urban Renewal					
	Issued Oct 31, 1997		Issued Apr 1, 1998		Issued Dec 28, 1999	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	8.25%	\$ 20,000	6.50%	\$ 25,000	6.50%	\$ 20,000
2007	8.25	25,000	6.50	30,000	6.50	20,000
2008	8.25	25,000	6.50	30,000	6.50	20,000
2009	8.25	25,000	6.50	30,000	6.50	25,000
2010	8.25	30,000	-	-	6.50	25,000
2011	8.25	35,000	-	-	6.50	30,000
2012	8.25	35,000	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
Total		<u>\$ 195,000</u>		<u>\$ 115,000</u>		<u>\$ 140,000</u>

Year Ending June 30,	Special Assessment					
	Street Improvements Issued May 1, 1998		Street Improvements Issued May 1, 1999		Street Improvements Issued Apr 1, 2000	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	5.10%	\$ 15,000	4.85%	\$ 15,000	5.70%	\$ 5,000
2007	5.15	15,000	4.90	15,000	5.80	5,000
2008	5.20	15,000	5.00	15,000	5.90	5,000
2009	-	-	5.05	15,000	6.00	5,000
2010	-	-	-	-	6.10	5,000
2011	-	-	-	-	6.20	5,000
2012	-	-	-	-	6.30	5,000
2013	-	-	-	-	6.40	5,000
2014	-	-	-	-	6.50	10,000
2015	-	-	-	-	6.60	10,000
2016	-	-	-	-	-	-
Total		<u>\$ 45,000</u>		<u>\$ 60,000</u>		<u>\$ 60,000</u>

See accompanying independent auditors' report.

(TIF) Revenue Bonds						
Issued Dec 28, 1999		Issued Oct 2, 2000		Issued Dec 1, 2000		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
8.00%	\$ 20,000	7.50%	\$ 15,000	5.40%	\$ 50,000	\$ 150,000
8.00	20,000	7.50	15,000	5.45	70,000	180,000
8.00	25,000	7.50	20,000	5.50	75,000	195,000
8.00	25,000	7.50	20,000	5.55	75,000	200,000
8.00	25,000	7.50	20,000	5.60	285,000	385,000
8.00	30,000		25,000	5.70	300,000	420,000
-	-		25,000	5.75	350,000	410,000
-	-		-	5.80	365,000	365,000
-	-		-	5.85	390,000	390,000
-	-		-	5.90	410,000	410,000
	<u>\$ 145,000</u>		<u>\$ 140,000</u>		<u>\$ 2,370,000</u>	<u>\$ 3,105,000</u>

Capital Loan Notes					Special Assessment Bonds		
Paving Project		Street Improvements			Street Improvements		
Issued May 1, 2001		Issued May 1, 2003			Issued June 1, 2005		
Interest Rates	Amount	Interest Rates	Amount	Total	Year Ending June 30,	Interest Rates	Amount
4.90%	\$ 15,000	2.30%	\$ 20,000	\$ 70,000	2006	2.90%	\$ 36,000
5.00	15,000	2.75	20,000	70,000	2007	3.30	40,000
5.10	15,000	3.10	20,000	70,000	2008	3.45	40,000
5.20	15,000	3.40	20,000	55,000	2009	3.60	40,000
5.30	15,000	3.60	20,000	40,000	2010	3.75	40,000
5.40	20,000	3.80	20,000	45,000	2011	3.90	40,000
5.50	20,000	4.00	20,000	45,000	2012	4.00	40,000
5.60	20,000	4.20	20,000	45,000	2013	4.10	40,000
5.70	20,000		-	30,000	2014	4.20	45,000
5.80	20,000		-	30,000	2015	4.30	45,000
5.90	20,000		-	20,000			
	<u>\$195,000</u>		<u>\$160,000</u>	<u>\$ 520,000</u>	Total		<u>\$ 406,000</u>

## City of Winterset

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Two Years

	2005	2004
Receipts:		
Property tax	\$ 1,815,026	1,700,266
Tax increment financing collections	713,047	812,891
Other city tax	210,607	22,273
Licenses and permits	29,831	29,601
Use of money and property	55,493	14,616
Intergovernmental	791,715	733,075
Charges for service	112,847	114,537
Special assessments	208,722	137,024
Miscellaneous	261,777	961,864
Total	\$ 4,199,065	4,526,147
Disbursements:		
Operating:		
Public safety	\$ 758,943	697,160
Public works	507,548	490,767
Health and social services	3,000	3,000
Culture and recreation	697,301	674,700
Community and economic development	384,100	176,802
General government	338,534	318,477
Debt service	1,079,456	1,050,868
Capital projects	1,491,659	264,334
Business type activities	372	844,185
Total	\$ 5,260,913	4,520,293

See accompanying independent auditors' report.

## City of Winterset

## Information Required by the 2003 Sewer Revenue Refunding Notes Resolution

Unaudited

Rate and Number of users of the System –

User Charges – The service charge for sewer is based on water consumed at a rate of \$3.85 per 100 cubic feet. There is a \$8.50 minimum charge.

Number of Users – The City has approximately 1,700 residential users and approximately 250 commercial and industrial users.

Largest Users – The largest sewer customers for the 2004-2005 year were as follows:

Customer	Cubic Feet Sold
Winterset Care Center North	685,300
Star Quality Care Center	669,400
Weeks Mobile Home Park	336,300
Best Kar Inc. (East)	276,000
Winterset Care Center South	191,600
Madison County Hospital	154,000
Lou and Coe Erpelding	143,300
Best Kar Inc. (South)	135,700
Winterset High School	132,100
Winterset Elementary School	122,100
Super 8 Motel	121,300

See accompanying independent auditors' report.

---

City of Winterset

# CLINE, DeVRIES & ALLEN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

---

316 S. Duff Suite B – PO Box 187  
Ames, Iowa 50010  
Phone: 515-233-4060 FAX: 515-233-3703

13375 University Ave, Suite 203  
Clive, Iowa 50325  
Phone: 515-252-7141 FAX: 515-252-7073

### Independent Auditors' Report on Compliance over Financial Reporting and on Compliance and Other Matters

### Based on and Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Winterset, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's primary government financial statements listed in the table of contents and have issued our report thereon dated September 14, 2005. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Winterset's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Winterset's ability to record, process, summarize and report financial data consistent with the assertions of management in the primary government financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Winterset's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the primary government financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Winterset and other parties to whom the City of Winterset may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Winterset during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 14, 2005  
Ames, Iowa

City of Winterset

Schedule of Findings

Year Ended June 30, 2005

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including one material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.



City of Winterset

Schedule of Findings

Year Ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- II-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-05 Dual Signatures – Although the City approved a resolution requiring dual signatures on all checks issued over \$10,000, we noted that the City did not always use dual signatures as required.

Recommendation – The City should comply with their resolution and use dual signatures on all checks issued over \$10,000.

Response – We will do so.

Conclusion – Response accepted.

- II-C-05 General Obligation Notes – A portion of the proceeds of the 2005 General Obligation Corporate Purpose and Refunding Bonds were not recorded on the City's books.

Recommendation – The City should properly reflect all activity on their accounting records.

Response – We will do so.

Conclusion – Response accepted.

City of Winterset

Schedule of Findings

Year Ended June 30, 2005

Part III: Other Findings Related to Statutory Reporting:

III-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the public works and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – Although the budget was amended, budgeted disbursements should have been increased in sufficient amounts so that the budgeted disbursements would not have been exceeded.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-C-05 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have been clearly documented.

III-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Montross Pharmacy, Co-owned by Mayor	Miscellaneous supplies	\$ 556

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individual does not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

III-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-05 Council Minutes – A few transactions were found that we believe should have been approved in the Council minutes but were not. These included approval of certain disbursements.

City of Winterset

Schedule of Findings

Year Ended June 30, 2005

Although minutes of Council proceedings were published, they did not include a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. The February 21, 2005 meeting was not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. No publication of the January 10, 2005 meeting could be located.

Recommendation – The City should also comply with Chapter 372.13(6) of the Code of Iowa and publish minutes as required. The City should also approve all disbursements.

Response – We will do so.

Conclusion – Response accepted.

- III-H-05 Deposits and Investments – The City has not updated their investment policy to comply with the provisions of Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should revise their investment policy to comply with the provisions of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

- III-I-05 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.

- III-J-05 Financial Condition – The Capital Projects, Downtown Improvement Project Fund had a deficit balance of \$201,075 at June 30, 2005.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The bonds to finance this project will be issued at the conclusion of the construction project when the total costs are determined.

Conclusion – Response accepted.

- III-K-05 Outstanding Checks – Per Chapter 556.11 of the Code of Iowa, checks that are still outstanding after three years should be reported to the State Treasurer annually by November 1st. The City did not do this.

Recommendation – The City should comply with Chapter 556.11 of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

